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October 17, 2000
EXECUTIVE SECRET

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VIA HAND DELIVERY

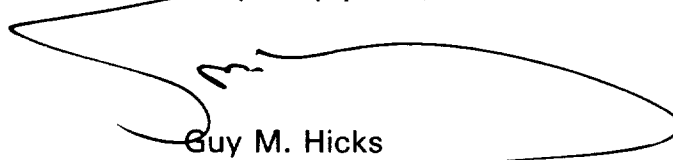
David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

Re: *Petition to Convene a Contested Case Proceeding to Establish
"Permanent Prices" for Interconnection and Unbundled Network
Elements*
Docket No. 97-01262

Dear Mr. Waddell:

Enclosed are the original and thirteen copies of BellSouth's Response to AT&T's Comments. Copies of the enclosed are being provided to counsel of record for all parties.

Very truly yours,



Guy M. Hicks

GMH:ch
Enclosure

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BEFORE THE TENNESSEE REGULATORY AUTHORITY
Nashville, Tennessee

In Re: *Contested Cost Proceeding to Establish Final Cost Based Rates for Interconnection and Unbundled Network Elements*

Docket No. 97-01262

BELLSOUTH'S RESPONSE TO AT&T'S COMMENTS

BellSouth Telecommunications, Inc. ("BellSouth") respectfully submits this Response to AT&T's Comments Concerning BellSouth's June 9, 2000 Cost Studies. AT&T limited the scope of its comments to the issue of the appropriate non-recurring costs associated with loop-transport combinations. This response is limited to the same issue.¹

DISCUSSION

In its June 9, 2000 Filing, BellSouth identified the one-time work activities that are typically associated with installing or disconnecting combinations of the loop and interoffice transport unbundled network elements. For these work activities, BellSouth defined work functions, established work flows, and determined work times. Thereafter, BellSouth developed directly assigned labor

¹ Attachment "A" to AT&T's Comments includes proposed recurring and nonrecurring rates for elements other than loop-transport combinations. This response does not address the other elements, but BellSouth's failure to address the other elements listed on Attachment "A" should not be construed as its agreement with those proposed rates. The other elements, which are not addressed at all in AT&T's Comments, have been previously addressed by BellSouth.

costs and accumulated work function costs to determine the total nonrecurring costs for those elements, using the methodology consistent with adjustments identified by the Authority in its earlier rulings in this docket. In identifying the work functions associated with the provision of loop-transport combinations, BellSouth considered the basic work activities that are required to deliver those combinations as well as any additional manual processing that BellSouth must perform when electronic orders "fall out" of the system.

In its Comments, AT&T proposes substantial reductions to the non-recurring rates BellSouth has proposed. These reductions are the product of AT&T's claimed removal of "all non-recurring costs that have no justification in a forward-looking network architecture and efficient provisioning process." Comments, p. 2. While the sweeping reference to "all non-recurring costs" undoubtedly includes other modifications to BellSouth's studies, AT&T identifies only two specific changes. First, AT&T eliminated all costs related to BellSouth's Local Customer Service Center ("LCSC") and UNE Center ("UNEC")/Access Customer Advocate Center ("ACAC"). Second, AT&T assumed that only ten percent of the orders for loop-transport combinations would require manual work, while BellSouth's studies assumed that all such orders would involve manual work. Neither of AT&T's specific adjustments is appropriate.

The proposed elimination of the LCSC and UNEC/ACAC work groups is based on AT&T's contention that (1) such work groups are "completely

unnecessary” and (2) similar groups do not support BellSouth’s retail operations. See Comments, p. 2. (describing the LCSC and UNEC/ACAC as “intermediary work groups which are not intended for efficient operations.”). AT&T’s position on this issue is identical to testimony it sponsored in a recent cost proceeding before the Florida Public Service Commission. See Pre-filed Rebuttal Testimony of Jeffrey King (Sept. 12, 2000) FPSC Docket No. 990649-TP, at p. 11 (describing the LCSC and UNEC/ACAC as “intermediary work groups which are not intended for efficient operations.”). On cross-examination in that docket, AT&T’s witness, Mr. King conceded that the coordinated cut-over process for unbundled loops which AT&T has proposed be included in the new AT&T-BellSouth interconnection agreement involves the UNEC. Hearing Transcript, FPSC Docket No. 990649-TP at p. 2430 (Excerpt attached as Exhibit 1). Therefore, AT&T is asking the state commissions to order BellSouth to coordinate cutovers using the UNEC, and at the same time seeking to have that work function eliminated from the cost studies. Given its insistence that BellSouth’s UNEC perform functions under the interconnection agreement, AT&T cannot legitimately describe the UNEC as “completely unnecessary.”

AT&T’s contention that “BellSouth’s own retail operations do not incur” costs associated with these work centers misses the mark. In the retail environment, BellSouth has a business office that corresponds to the LCSC and an ACAC for Access customers. The LCSC and the ACAC are integral centers

involved in the provisioning of UNEs and UNE combinations and the cost of operating these centers must be reflected in developing forward-looking costs. The UNE Center performs functions critical to the provisioning process and it provides the same functionality to CLPs that the Access Carrier Advocacy Center (ACAC) provides to Interexchange Carriers. These functions include coordination activities, such as tracking the status of orders and escalating and handling orders in jeopardy.

AT&T appears to believe that the provisioning practices for UNEs must perfectly align themselves with the provisioning practices for retail services. In other words, AT&T appears to argue that, if a cost to provide a UNE exists, but there is no comparable counterpart in the retail environment, then that cost should be eliminated from BellSouth's cost study. But AT&T ignores that BellSouth, acting as a wholesale provider of network elements, must also have work processes in place to ensure that CLECs, including AT&T, obtain services in a manner consistent with the Telecommunications Act of 1996. The nonrecurring costs identified in BellSouth's cost studies reflect costs BellSouth will incur in provisioning UNEs in Tennessee. Thus, BellSouth is justified in being compensated for these costs.

Another adjustment proposed by AT&T is the assumption that only ten percent of the orders for loop-transport combinations will require manual work. This issue is not simply the fall-out from electronic systems. Rather, the significant

difference of opinion between AT&T and BellSouth is whether electronic systems available today will eliminate the need for any human intervention in the ordering and provisioning process. Not surprisingly, AT&T offers absolutely no evidence to contradict BellSouth's assumption on this issue. Moreover, the only allowance which AT&T is willing to make for manual intervention is a ten percent fall-out rate. This ten percent figure was also the subject of Mr. King's recent testimony in Florida. At the hearing, he admitted that he had no "factual basis to say that 10 percent is the right number." Hearing Transcript, FPSC Docket No. 990649-TP, at p. 2421 (See Exhibit 1).

Finally, AT&T states that it has made some undefined adjustments to the work times BellSouth proposes. Nowhere in its comments does AT&T specifically identify the work times it has adjusted much less provide support for its adjustments. On that basis alone the Authority should reject AT&T's proposed non-recurring rates. Indeed, with no quantification of the adjusted work times, the Authority cannot evaluate the impact these supposed "adjustments" have on AT&T's proposed non-recurring rates.

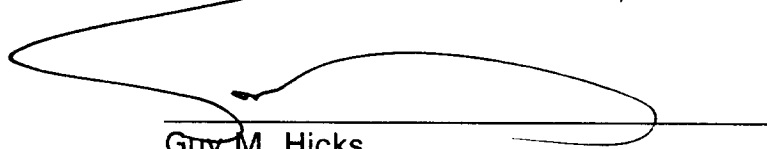
AT&T has presented no credible basis for adjusting BellSouth's proposed non-recurring rates. At best, AT&T has offered thinly-supported arguments and

sweeping conclusions in an attempt to discredit BellSouth's detailed cost studies.

The Authority should reject AT&T's proposed rates.

Respectfully submitted,

BellSouth Telecommunications, Inc.

A large, stylized handwritten signature in black ink, appearing to read "Guy M. Hicks", is written over a horizontal line.

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of : DOCKET NO. 990649-TP
:
INVESTIGATION INTO PRICING :
OF UNBUNDLED NETWORK :
ELEMENTS. :

*
* ELECTRONIC VERSIONS OF THIS TRANSCRIPT *
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* THE OFFICIAL TRANSCRIPT OF THE HEARING *
* AND DO NOT INCLUDE PREFILED TESTIMONY. *
*

VOLUME 15

Pages 2269 through 2464

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN J. TERRY DEASON
COMMISSIONER E. LEON JACOBS, JR.
COMMISSIONER LILA A. JABER

DATE: Thursday, September 21, 2000

TIME: Commenced at 8:15 a.m.

PLACE: Betty Hasley Conference Room
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: TRICIA DeMARTE
Official FPSC Reporter
Division of Records & Reporting

APPEARANCES: (As heretofore noted.)

DOCUMENT NUMBER-DATE

FLORIDA PUBLIC SERVICE COMMISSION 11948 SEP 25 8

FPSC-RECORDS/REPORTING

1 upon the work group; is that correct?

2 A Correct.

3 Q And is it fair to say that in each case you
4 reduced the fallout assumption that BellSouth had in its
5 studies for the respective work groups?

6 A In those instances, yes, generally.

7 Q And is it also fair to say that there was no
8 quantifiable data report or study that you relied upon to
9 support your reduced fallout assumptions rather than those
10 used by BellSouth?

11 A The actual 10 percent, no, I don't have any
12 factual basis to say that 10 percent is the right number.
13 I have a number of -- there have been documentation of
14 BellSouth's own retail operations in Georgia, for
15 instance, having 97 percent plus flow through capability.
16 We have quotes out of SBC territory on some of their OSS
17 enhancements where they are targeting 99 percent flow
18 through, which would mean 1 percent fallout.

19 So I think that, you know, the way that I take
20 this is, just because something is inefficient today and
21 is driving 50 percent fallout does not make it right.
22 What is the right fallout? I've been through a number of
23 these cases, you know, and have plenty more still to come
24 in other jurisdictions, and what I have found is that the
25 2 percent, which I normally am a very strong advocate of,

1 BY MR. ROSS:

2 Q Mr. King, I had understood you to say in your
3 response to an earlier question about the coordination
4 function that the UNE center provides that that
5 coordination function really wasn't really necessary. Was
6 that your testimony?

7 A In a forward-looking cost study; correct.

8 Q If I could ask you to look at Attachment B to
9 the petition, which is a matrix of the issues that AT&T is
10 arbitrating, and look at Page 7, Issue 14. This issue is,
11 "What coordinated cut-over process should be implemented
12 to ensure accurate, reliable, and timely cut-overs when a
13 customer changes local service from BellSouth to AT&T."
14 Is that correct?

15 A Yes.

16 Q And the coordinated cut-over process that AT&T
17 has proposed involves the UNE center; is that correct?

18 A Yes.

19 Q Are you aware of the specific procedures that
20 AT&T has proposed that this Commission adopt for purposes
21 of the interconnection agreement between BellSouth and
22 AT&T in the state of Florida on a going-forward basis?

23 A I am not personally handling this particular
24 issue as part of my workload. I am somewhat aware of the
25 cut-over process, and I do not disagree that in the

CERTIFICATE OF SERVICE

I hereby certify that on October 17, 2000, a copy of the foregoing document was served on the parties of record as indicated:

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